

City Finance Office

FINANCE OFFICE

Response Requested: Yes from City Council

Reason for Inquiry: The lack of oversight of the financial affairs of the City of Susanville by the City Council and the City Administrator.

The City Council approved the Natural Gas project, City Hall remodeling, Spring Ridge Water Booster Station project, Spring Ridge Water Storage Facility and Pipeline and the Cady Springs Water Pipeline Replacement project. These projects were in addition to the regular daily duties of City government.

In addition the City Hall remodeling project required the moving of the Finance Office to another building for the duration of the remodeling.

Information obtained by the Grand Jury indicates that requests for additional staff for the Finance Office to assist in the workload caused by major projects were not filled. The independent audit of 2001/02 (latest information available as of 6/20/04) also pointed to the lack of staff in the Finance Office.

The Grand Jury is also aware that the independent audit for the fiscal year 2002/03 has not been completed as of June 20, 2004 due to the failure of the City to provide accurate and timely financial information to the auditor. This audit should have been completed by September 20, 2003.

The lack of oversight also resulted in construction cost overruns of \$1,300,000 in the Natural Gas project resulting in the need to issue an additional \$2,000,000 in bonded indebtedness for the City.

The Grand Jury notes that on June 4, 2003 during fiscal year 2003/04 budget discussions Councilman Douglas Sayers verified that the City had about \$500,000 in reserves. The City Administrator responded that the reserve figure was closer to \$700,000. (**Source:** City Council minutes June 4, 2003) (Reserves in the above discussion merit funds set aside for emergency purposes.)

Information contained in the April 21, 2004 report given to the City Council by Finance Director indicates that this reserve has been depleted and the General Fund has been subsidizing enterprise funds to such an extent that General Fund supported operations might be compromised.

Grand Jury members had the opportunity to discuss factual City financial matters with the Finance Director, whom was very helpful and cooperative. The Grand Jury members reviewed the Finance Director's financial report to the City Council dated April 21, 2004. The report outlined, in understated terms, some serious financial problems facing the City.

This April 21, 2004 report as well as others that the Financial Director will be providing to the City Council should be treated by the Council as the highest priority reading and study documents they receive.

Recommendation: The City Council should adopt the following:

1. The Finance Officer shall be responsible for submitting to the City Council on a timely basis, fiscal reports in regards to major construction projects as well as general government operation. These reports are to be independent of the City Administrator's approval.
2. The Finance Officer shall report to the City Council in regards to any Finance Office issues including staffing needs, independent of the City Administrator's approval. These recommendations, if approved, give information required to allow the City Council to exercise their administrative duties and responsibility.